



UNITED NATIONS
NORTH MACEDONIA



COUNTRY ANALYSIS 2024

December 2024

Introduction

The **2024 UN Country Analysis for North Macedonia** provides a comprehensive, forward-looking, and data-driven assessment of the country's development opportunities and challenges. It aligns with the Sustainable Development Goals (SDGs) and integrates insights from the National Development Strategy (NDS) 2024–2044, EU reform priorities, and extensive consultations with stakeholders, including government representatives, civil society, private sector actors, and the youth.

North Macedonia, a landlocked country in the Western Balkans with a population of 1.8 million citizens, has achieved upper-middle income status and a high Human Development Index (HDI) of 0.77 in 2021. Despite the economic and social setbacks caused by recent crises, the country demonstrates a strong commitment to the Agenda 2030 for Sustainable Development and European integration reforms. Furthermore, as a party to seven key international human rights treaties and various environmental and labor conventions¹, North Macedonia maintains a constructive reporting record in the area of human rights, though it faces some challenges in implementing the recommendations.

The baseline **Voluntary National Review (VNR) from 2020 captured significant positive transformations since the adoption of Agenda 2030**, including substantial progress under the People and Prosperity categories achieved through reduced poverty, unemployment, and inequality rates. However, the review also noted the need for additional efforts to ensure accelerated and sustainable growth, as well as an inclusive and just society based on the rule of law and good governance (the Peace category). Greater ambition was needed to address a number of environmental challenges in the Planet category, and some progress has been made in recent years. However, since the baseline VNR was finalized at the outset of the COVID-19 pandemic, it does not account for the impact of the two consecutive crises that severely affected the population and the economy and strained public finances.

Despite the progress in multiple areas of development, some challenges persist across economic, social, environmental, and governance dimensions. This analysis serves as a foundational document that guides national policies and the United Nations' strategic programming by providing a framework for capitalizing on the country's strengths while addressing its development gaps.

¹ North Macedonia has not ratified the International Convention for the Protection of All Persons from Enforced Disappearance, signed in 2007; the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families; the Optional Protocol to the Convention on the Rights of the Child, and the Optional Protocol to the International Covenant on Economic, Social and Cultural Rights, both on a communications procedure.

Key Development Challenges

- **COMPETITIVENESS OF THE ECONOMY**
- **QUALITY OF LIFE**
- **SOCIAL INCLUSION**
- **ENERGY SECURITY**
- **POLLUTION (Air, Water, Waste)**
- **RESILIENCE TO MULTIDIMENSIONAL SHOCKS**



- **RULE OF LAW**
- **PUBLIC SERVICE**
- **PUBLIC FINANCE MANAGEMENT**

1. Competitiveness of the Economy

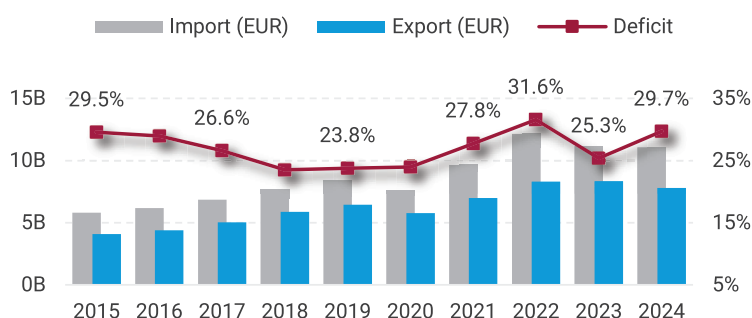


North Macedonia's strategic location at the crossroads of key European trade corridors and its access to EU markets offer significant potential for economic growth and integration into global value chains.

Challenge:

The competitiveness of the economy is undermined by low productivity, insufficient technological capability, gaps in the business regulatory environment, as well as deficiencies in transport and energy infrastructure. The country's export base is narrow, mainly relying on the automotive, textile, and metal industries, with over 78% of exports targeting the EU market, primarily Germany, which suggests potential fragility due to limited diversification.

Trade Balance



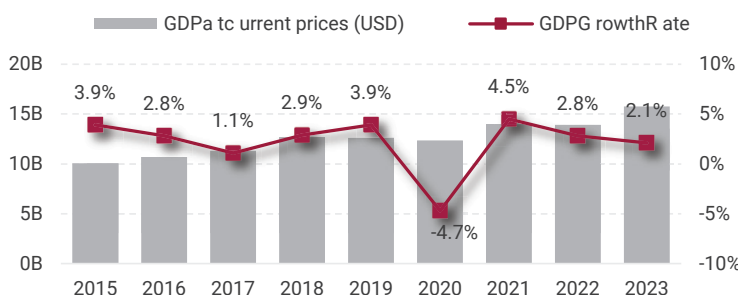
From 2015 to 2022, the trade deficit widened to €2.8 billion (State Statistical Office/SSO, 2023), especially in the area of food trade. High-technology exports constituted only 4.18% of total exports, though FDI has somewhat diversified the export structure (NDS). The country ranked 82nd out of 140 countries in the Global Competitiveness Index, with low scores in innovation, business environment, and access to finance (World Economic Forum, 2022).

Informal production

24%
of GDP (2021)

Economic growth remains sluggish, averaging around 2% in the past decade. Labor productivity reached just 16.5% of the EU average in 2021 (Eurostat), while informal production, although decreasing from 36% to 24% of the GDP between 2006 and 2021², continues to undermine fair competition and tax collection.

Gross Domestic Product



Labor productivity

16.5% of EU
average (2021)

Root Causes:

Key issues affecting productivity include insufficient investments in new technology and innovation, as well as human capital erosion. Adverse demographic pressures and the lack of alignment between academia and the labor market create labor shortages. SMEs face barriers to accessing financing and driving innovation. Competitiveness is further restricted by the infrastructure, which is underdeveloped, and an insufficiently enabling environment that stems from inconsistent regulatory frameworks, the sizable informal economy, governance insufficiencies, and corruption. Although progress has been made over the years, social dialogue and industrial relations do not adequately support economic growth.

Potential:

Targeted investments in high-value industries and services, along with fostering the green and digital transition and strengthening SME support systems, can drive economic competitiveness.

Given the large extent of their inactivity, increased economic empowerment of women, including through family-friendly policies, can significantly contribute to overcoming labor shortages. The path toward economic diversification and innovation can be paved through programs to enhance STEM education, vocational training, and entrepreneurship, while increased investment in research and development can drive progress. Incentives for foreign direct investment (FDI) in high-tech and value-added sectors could support the integration into global value chains, which would be facilitated by enhanced regional connectivity through infrastructural development and trade facilitation. Overall, EU accession presents an opportunity for both investment and facilitated trade, especially at the regional level. However, certain aspects, such as the Carbon Border Adjustment Mechanism, may negatively affect competitiveness, at least in the shorter term.

² What Determines Informal Economy and Informal Employment - The Case of North Macedonia 2023

2. Quality of Life



Enhancing public services, urban planning, and addressing gaps in health and education can significantly improve the quality of life in the country and help reduce outmigration.

23%

**people at risk
of poverty**

Challenge:

Relatively high poverty, suboptimal health and education outcomes remain persistent issues.

The rural-urban gap in living conditions and inadequate urbanization are particularly affecting vulnerable groups. The rural poverty headcount is nearly 30%, compared to 17% in urban areas³. Environmental issues such as air pollution and inadequate waste management further deteriorate living conditions in the cities. Strong outmigration, especially among youth, is mainly driven by dissatisfaction with the living standards and economic opportunities, while other factors such as access to better services and rule of law are also important.

32.7%

**children at risk
of poverty**

The Gini (inequality) coefficient declined from 31.4% in 2020 to 30.3% in 2021, but still remains relatively high, indicating significant social vulnerability. Vulnerable groups are disproportionately affected and faced with multi-dimensional challenges, which is a serious issue, having in mind that North Macedonia has approximately 50% more socially vulnerable people than the EU⁴. Socio-economic disparities are particularly pronounced among children, with persistent and substantial gaps in social indicators. For instance, the Early Childhood Development (ECD) index is 91% among the richest segments of society but only 67% among the poorest. Child marriages occur in 25% of the poorest, compared to just 2% in the richest segments (UNICEF, 2024).

³ World Bank Country Partnership Framework for the Republic of North Macedonia 2019-2023

⁴ People at risk of poverty before social transfers (NDS)

74%
of 15 year olds

**lack basic
proficiency in
reading and math**

Up to 74% of 15-year-olds lack basic proficiency in reading and math (PISA, 2022). Over 400,000 individuals experience moderate to severe food insecurity (FAO, 2022). Although average life expectancy has increased over time, it still remains at only 70.9 years for men and 75.2 years for women (WHO 2021), which is 3.3 years below the European average. Additionally, there is a 9-year gap between life expectancy and healthy life expectancy, since many people spend their last decade in poor health, struggling with chronic diseases, disability, and lack of access to adequate care. Addressing these issues requires tackling the social determinants of health and strengthening public health measures, including prevention, healthy lifestyles, and active aging.

Root Causes:

Systemic issues, such as long-term unemployment and low incomes undermine the overall living standards. Insufficient public spending and governance, particularly at the municipal level, negatively affect access and quality of health and education, leading to the worsening of social outcomes.

75 / 71
Woman Man
Life expectancy

The shortage and uneven distribution of healthcare facilities and professionals create health inequities, while behavioral and commercial determinants, such as smoking, poor diets, and physical inactivity, drive non-communicable diseases, including obesity and cardiovascular conditions. Out-of-pocket payments make up 42% of total health spending, especially burdening low-income households, rural populations, and the elderly.

9 years
**Gap between
life expectancy
and healthy life
expectancy**

The current school network and workforce are not aligned with the demographic shifts, which leads to an imbalanced resource allocation, where about 90% of public spending goes toward salaries, leaving limited/no resources for system maintenance and improvement, including professional development for teachers. Furthermore, the school curriculum does not adequately address emerging concerns such as mental health, well-being, inclusive education or digital and green skills.

Potential:

Higher economic growth and better-targeted social protection measures for vulnerable groups can reduce disparities, improve living conditions and contribute to the development of human capital. Increased healthcare funding alongside better governance and digital health solutions can enhance service quality and accessibility. Education reforms focused on equitable access for vulnerable groups, foundational learning, skill building, digital literacy, and vocational excellence can improve learning outcomes for all and empower the workforce. Holistic urban planning that incorporates green spaces, improved public transport, and affordable housing can make cities more human-centered.



3. Social Inclusion



Declining income disparities (as indicated by the Gini index above) and improvements in gender equality (from 62 points in 2019 to 64.5 in 2022, EIGE) provide a solid foundation for fostering an inclusive society.

30.3

Gini index 2021

Challenge:

Despite these improvements, the Gini index remains relatively high at 30.3, and gender inequality continues to be a concern. Vulnerable groups face systemic exclusion and limited access to social services. Discrimination and societal biases further exacerbate these inequalities, particularly for ethnic minorities and women. According to the UN Leave No One Behind analysis, the persons left furthest behind among the vulnerable groups are presented in the Table 1 below.

Only 8%

**of Roma women
employed**

Key data highlights the severity of the situation. For instance, Roma unemployment stands at 67%, with only 8% of Roma women (formally) employed, while persons with disabilities also face high unemployment rates and barriers in the access to public services (Employment and Social Reform Program 2022). Women represent 42% of all household farm workers in individual agricultural holdings but only 5-12% of them are landowners (UN Women, 2022). Fourteen per cent of women say they have experienced physical or sexual violence since the age of 15 at the hands of a partner or non-partner, a fact that is often exacerbated by the lack of economic independence (OSCE survey 2018).

Table 1: Vulnerable groups

Vulnerable groups	Persons left furthest behind	Vulnerable groups	Persons left furthest behind
Older persons	Older women Older persons with dementia, strokes, paralysis, partial or complete vision impairment Older persons in rural areas	Persons deprived of liberty, including children	Incarcerated or detained persons with disabilities Incarcerated or detained women Children in correctional facilities, especially Roma children Returnees from Daesh in Syria
Youth	Roma youth facing many forms of discrimination and stigma Young women in rural areas Young gay men living with HIV	Persons living in rural areas	Women Farmers and agricultural workers. Ethnic minorities (Roma, Turk, Albanian) Children
Children	Children in poverty in urban and rural areas Children with disabilities Roma children	Roma	Roma with disabilities LGBTI+ Roma Older Roma Roma children
Persons with disabilities	Women with disabilities Children with disabilities People with intellectual disabilities Persons with vision impairment and blindness	Women	Unemployed women Roma women and women from minority ethnic groups Women in rural areas Women with disabilities Women survivors of VAW and domestic violence
Migrants, refugees, asylum seekers, persons under subsidiary protection, persons granted temporary protection, stateless persons, victims of trafficking in human beings	Young stateless persons Working-age asylum seekers Persons granted temporary protection Vulnerable categories of migrants, including unaccompanied children and victims of trafficking in human beings Stateless women and children	Persons with rare diseases	Children Low-income or unemployed individuals Mothers as primary caregivers Families with multiple members affected by rare diseases People in rural areas

Root Causes:

The key factors driving inequalities and marginalization of certain population groups in society primarily stem from socio-economic and educational disparities, as well as intersecting and structural discrimination. The most pronounced gaps in living conditions are noted between socio-economic quintiles, urban and rural communities, and the general population and vulnerable groups, including gender-based discrimination.

Rural populations have less access to quality social services (healthcare, education, culture) and economic opportunities due to limited regional and municipal capacities for addressing their needs. Intersecting vulnerabilities based on geography, ethnicity, gender, and socio-economic and legal status perpetuate inequalities.

Gaps in disaggregated data on vulnerabilities hinder evidence-based policymaking. In particular, women face discrimination due to insufficient representation in policymaking and decision-making processes, gender stereotypes and harmful societal norms. Moreover, violence against women and children is not effectively addressed by the competent institutions.

Potential:

Expanding targeted social programs and services, improving municipal capacities, and enhancing data disaggregation according to vulnerability factors can help ensure universal and equitable access to services and opportunities for all, and improve their wellbeing. Social cohesion can be strengthened by fostering the empowerment and participation of women and youth, promoting volunteerism, and addressing discrimination. Special initiatives to empower women, especially Roma women, persons with disabilities, children living in poverty, and rural youth, can create outcomes that are more equitable. Strengthening legal protections and enforcement against discrimination and violence will further contribute to a stronger, more equal and cohesive society.

42%

**of household
farm workers are
women**

Only 5-12%

**landowners are
women**

4. Energy Security



Over the years, governments have demonstrated a strong commitment to providing safe and greener energy supplies, achieving significant results, including a recent 300% increase in solar energy sources. However, a significant potential to further diversify energy sources and harness more renewable energy still remains. Additionally, improving energy efficiency, enhancing the energy transport network, and developing better storage options could substantially accelerate the transition to a greener energy system that contributes to mitigating the effects of climate change and environmental degradation.

60%

**of total energy
supply is imported
(IEA, 2022)**

Challenge:

North Macedonia is facing problems in establishing a balance between energy security, economic growth, and environmental protection. The energy system is marked by high import dependency (over 60% of total energy supply), high energy intensity (nearly three times the EU average), and strong reliance on coal (46.3% of electricity generation). Renewable energy accounts for around 19% of the energy consumption (IEA, 2022), while distribution losses remain high at 13.5% (IMF, 2024). All these factors make the sector vulnerable to global price shocks and supply disruptions. Energy poverty remains significant, with almost a quarter of all households relying on wood and other debris to heat their homes in the winter, which contributes to high levels of air pollution.

46.3%

**electricity is coal
generated**

Energy intensity

3 times the EU average

Root Causes:

Aging energy infrastructure, insufficient funding and technical capacity for investing in diversified energy sources, transmission and storage, hinder progress in this area.

Furthermore, subsidized (household) electricity prices disincentivize energy efficiency, while a significant portion of older buildings, both private and public, suffer from poor insulation.

Financial challenges and diverging political priorities further delay the just transition to a more sustainable energy mix, also slowing down the green transition.

Potential:

Investments in diversified and renewable energy sources such as hydrogen, solar, wind, and hydropower and storage, alongside energy efficiency measures - including building retrofits and more targeted subsidies that focus on vulnerable populations, can reduce dependency and environmental impact.

A just transition strategy for coal-dependent regions, which contains reskilling programs and alternative employment opportunities that have been designed with community participation, can largely mitigate socio-economic disruptions and facilitate the green transition.

Furthermore, stronger integration into the regional energy network, as well as strengthening public-private partnerships for energy investments, can enhance energy security.

19% renewables

share in energy consumption

5. Pollution (Air, Water, Waste)



Pollution of all environmental media is a pressing issue and a health hazard that can be addressed by strengthening environmental governance and embracing circular economy principles.

**PM 2,5 =
22.8 $\mu\text{g}/\text{m}^3$**

**5 times over WHO
recommendation**

Challenge:

Air pollution levels are high, with urban areas particularly affected during the winter months.

Annual PM2.5 concentration averages 22.8 $\mu\text{g}/\text{m}^3$, which is over five times higher than WHO recommendations, with 3,640 attributable deaths (European Environment Agency, 2024).

Waste management and water quality are also pressing issues that threaten ecosystems, as well as human and animal health. Municipal solid waste generation increased to 503 kg per capita in 2023 (SSO), with only a 0.7% recycling rate (NDS).

503 kg per capita

municipal solid waste (2023)

Root Causes:

Major polluting sources, including energy production and residential heating, and key economic sectors substantially contribute to pollution. Agricultural runoff and industrial discharges affect water bodies, while limited recycling infrastructure exacerbates waste issues.

At the same time, inefficient urban planning, outdated waste management systems, and poor enforcement of environmental regulations, as well as a lack of public awareness and community engagement, further hinder progress.

Only 0,7%

recycling rate

Potential:

Adopting cleaner energy technologies, modernizing waste management systems, and decisively enforcing environmental regulations can significantly reduce pollution. Investments in wastewater treatment and clean public transport systems can yield health and environmental benefits, while strengthened environmental monitoring and public awareness campaigns can drive behavioral changes.

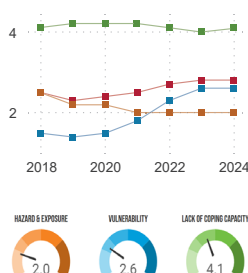
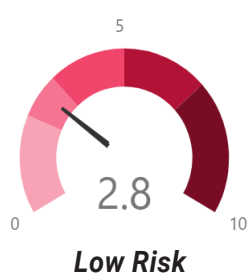
Community engagement in sustainability initiatives is of key importance for achieving positive outcomes.

6. Resilience to Multidimensional Shocks



The resilience of people, institutions and systems can be measured by the capacity for preventing and responding to three major threats: environmental degradation (i.e., the triple planetary crisis), threats from disasters, and threats to national security and order, which includes threats to public health. People in vulnerable situations, especially women and children, are at higher risk in crisis situations due to the lack of preventive measures and inclusive planning, which increases their vulnerability.

INFORM risk index



Challenge:

Climate change, the modification of natural systems through urbanization, and changing lifestyles lead to significant environmental degradation and pollution of natural habitats, and threaten ecosystems, biodiversity, the security of people and the economy. The frequency of epidemic outbreaks of communicable diseases is expected to increase with climate change, particularly in the context of insufficient immunization. The hazard profile is dominated by floods, forest fires, earthquakes, extreme temperatures, storms, landslides, droughts, epidemics and technical-technological incidents, though the INFORM risk index sets the country under the low-risk category.

The country is strongly committed to the Euro-Atlantic integration and has been a NATO member since 2020. However, the interests of global powers create various geopolitical pressures, with food and energy security posing long-term challenges and significant risks associated with geopolitics. Internally, the relationship between different ethnic communities, particularly ethnic Macedonians and ethnic Albanians, is influenced by various political factors that affect social harmony. Delays in EU accession are contributing to internal polarization as well. Like many nations, the country is vulnerable to cyber-attacks, and the unsustainable use of cultural resources undermines the integrity and authenticity of its cultural heritage.

Root Causes:

Climate change, along with unsustainable use of resources, exacerbates vulnerabilities, including water scarcity, biodiversity loss, and crop loss.

At the same time, coordination gaps, insufficient resource allocation, and the absence of systemic planning weaken the resilience of the country to these challenges.

A lack of integration between national and local risk management strategies further complicates disaster preparedness, while overlapping roles, the lack of resilient infrastructure, as well as the lack of expertise in modern threats hinder effective crisis management, including public health emergencies.

This is also strengthened by insufficient public communication and internal polarization over political and ethnic lines, which have the potential to strengthen social fragilities.

The significant challenges in the county's cultural heritage protection are mainly related to scarce awareness of its importance as a driver and an enabler of sustainable development.

Potential:

Investing in climate adaptation measures, disaster preparedness, and institutional capacity-building can create a more robust and adaptive society. Multi-stakeholder approaches can ensure inclusiveness in resilience-building efforts.

Streamlining roles within a more integrated security system, along with improved communication and early warning, can improve crisis management, while strengthening social cohesion can reduce fragilities by addressing divides in society.

7. Rule of Law



Strong anti-corruption measures and improved enforcement of the rule of law and human rights standards can improve governance, attract investments, and rebuild public trust in the institutions.

76 out of **180**
countries

**Transparency
International's
Corruption
Perceptions Index
2023**

Challenge:

Relevant international reports and assessments have repeatedly highlighted significant challenges in the adherence to the rule of law, including insufficient records of success in combating corruption and organized crime, as well as a compromised integrity of rule of law institutions. Systemic corruption is a persistent problem in the country, ranked 76th out of 180 countries, according to Transparency International's Corruption Perceptions Index 2023, with a score of 42. Corruption, selective law enforcement, and weak judicial independence deter investments and public trust, with only 8% of citizens trusting the judiciary according to polls⁵.

While efforts to fight crime have strengthened, North Macedonia remains a significant route for human trafficking and smuggling, including of migrants and refugees. It is also a source and transit country for illegal drugs and precursors on the Balkan route, while arms trafficking remains a concern, along with money laundering and possible financing of terrorism. Cultural heritage is also seriously threatened by theft, unlawful excavation, illegal appropriation, and export.

⁵ EU North Macedonia country report 2023

Only **8%**

of citizens

trust the judiciary

Root Causes:

Inconsistent legal frameworks, lack of quality laws, and deficient law enforcement enabled by the lack of accountability and political interference contribute to a weak rule of law and corruption.

Although the country is largely aligned with international human rights standards, institutional capacity gaps and the lack of inter-sectoral coordination, along with insufficient public awareness and data, create challenges in ensuring rights for all.

Potential:

Streamlining regulatory processes, building a track record of convictions, including of high officials who have breached the law, as well as a more proactive approach to addressing prejudices, biases, and traditional beliefs - including through the provision of better data - can improve governance and economic stability, while strengthening public trust in rule of law institutions.

8. Public Service



Public service is essential for addressing the citizens' needs and attracting foreign investments. EU's screening report, Cluster 1 Fundamentals, notes key aspects of the public administration reform, such as the need for more inclusive, evidence-based policy planning and policymaking through a regular legislative procedure, proper public consultations, and both ex-ante and ex-post regulatory impact assessments.

Public administration performance

weakest in the region (SIGMA)

Challenge:

Successive EU reports and reviews have noted that the country does not adequately ensure that all recruitments, promotions, and dismissals in the public administration, especially at the senior management level, are merit-based and transparent.

In addition, cross-sectoral coordination is insufficient. According to SIGMA⁶, the performance of the public administration remains among the weakest in the region.

The situation is even more challenging at the local level due to the insufficient fiscal capacity of municipalities. Local governments generate only 25% of their revenues, while the per capita revenues of rural municipalities are 20% below the national average, making them consistently dependent on the central budget. As a result, public confidence in institutions continues to shrink⁷.

⁶ SIGMA, 2021, Monitoring Report Executive Summary

⁷ EU North Macedonia country report 2023

Only **25%**
revenues

**generated by local
governments**

**Per capita
revenues of rural
municipalities**

20%

**below the national
average**

Root Causes:

Insufficient quality and consistency of laws and regulatory frameworks, inadequate human resource management, and political interference undermine merit-based requirements and performance management.

Despite the large number of employees in the public administration, workforce and task allocation are not adequately distributed due to deficiency in planning and a multitude of institutions with unclear roles. The same problems persist at the local level. However, the functioning of municipalities is further hampered by insufficient fiscal decentralization and a lack of resources.

The lack of proper checks and balances, along with poor accountability, contributes to administrative corruption. Additionally, a siloed approach to policymaking hinders institutional coordination, which is necessary for adopting a systemic approach to development..

Potential:

A robust public administration reform that ensures merit-based recruitment and performance management while boosting transparency and accountability, including through e-governance tools, can strengthen public service delivery and public trust.

Enhanced government coordination on the priorities outlined in the National Development Strategy can foster better cross-sectoral cooperation and accelerate progress towards achieving targets. Empowering local governments can significantly contribute to meeting the needs of the citizens and businesses at local level.

9. Public Finance Management

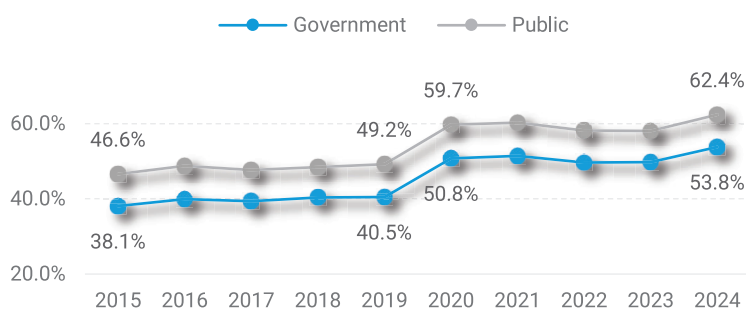


Despite relatively high debt levels, the country's credit rating remains stable, listed by Standard & Poors as BB-/Stable/B and Fitch as 'BB+'⁸ in 2024. Enhanced revenue collection and improved spending efficiency can create space for growth-oriented investments aligned with social and environmental outcomes.

Challenge:

Debt levels constrain the country's fiscal capacity to address current and future challenges. Public debt reached 61.9% of GDP in 2024, exceeding the adopted fiscal rules, which have yet to be implemented. Since the largest increase, reaching (-) 8 in 2020, the budget deficit has remained around 5%, making fiscal consolidation a priority. Fiscal risks are significant, especially in the context of a shrinking fiscal space and the rising expenditures needed to respond to climate concerns and significant demographic shifts.

Government and Public Debt as % of GDP



⁸ Ministry of Finance, Credit rating

Root Causes:

Insufficient revenue collection, deficiencies in public spending, and shortcomings in policy and budgetary planning are the root causes of this situation. Revenue collection is weakened by low effective tax rates, sizable (though declining) tax exemptions and a persistent informal economy.

Additionally, the high level of mandatory spending on public wages and social transfers, the under-execution of capital investments, and a lack of well-targeted subsidies reduce the efficiency of public spending.

Fiscal planning is further undermined by insufficient links to strategic policy planning and a lack of accountability in spending.

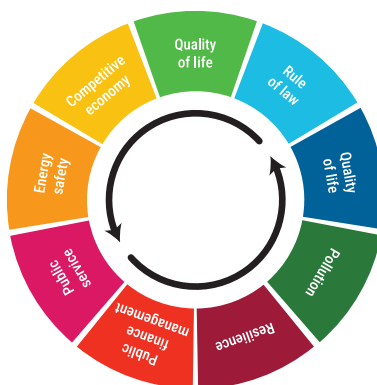
Potential:

Implementing fiscal reforms, especially through the Organic Budget Law, which introduces program-based budgeting and enforces fiscal rules, has significant potential to improve budget planning and execution. At the same time, strengthening tax administration and addressing the informal economy can improve revenue collection, potentially through innovative taxes.

Furthermore, enhancing accountability and developing more targeted and innovative subsidies aligned with desired social outcomes will contribute to more sustainable and effective public spending.

Systems Map and Risk Analysis

The systems map identifies the interdependencies between economic, environmental, social, and governance systems in North Macedonia. By examining how changes in one sector affect others, the systems map highlights the importance of coordinated and holistic policy interventions. The diagram below demonstrates the linkages among the identified development challenges.



The risk analysis highlights vulnerabilities to climate change, geopolitical dynamics, and socio-economic disparities, providing a basis for designing proactive measures to mitigate risks and adapt to potential disruptions. Key risks identified include:

- Potential global or regional political instability, with potential spillover effects on economic and security conditions.
- Persistent socio-economic inequalities that may exacerbate social tensions and reduce resilience.
- Further delays in the EU accession process, which can deepen societal polarization.
- Increased frequency of extreme weather events (floods, droughts, and heatwaves) driven by climate change.
- Public health vulnerabilities due to inadequate healthcare infrastructure and evolving threats such as pandemics.

Stakeholder Analysis

North Macedonia's development landscape involves diverse stakeholders, each playing a crucial role. These include the Government, civil society organizations, international development partners, private sector actors, and academic institutions. Stakeholder collaboration is essential for effective implementation of reforms and development initiatives. Aligning stakeholder efforts with EU accession priorities and the SDG framework can ensure synergies and maximize impacts. Additionally, fostering partnerships with grassroots organizations can improve inclusivity and better address the needs of marginalized communities.

Sustainable Development Financing

Achieving the SDGs requires innovative and sustainable financing mechanisms. A clear understanding of the financial landscape requires tagging financing sources to specific SDGs, which is currently not the case. Hence, the presented assessment⁹ is based on estimated data, providing only a few recommendations for improvement.

The total financing envelope for 2023 is estimated at €10.37 billion. The largest share comes from domestic public finance (i.e., government financing), contributing to 41.24% of the overall funding envelope. This highlights a significant reliance on governmental resources and calls for improved public finance management, while ensuring more effective alignment of expenditures and tax policy with sustainability goals. Additionally, innovative financing instruments and incentives are required. Domestic commercial finance also plays a crucial role, accounting for 31.83%, which demonstrates the banking sector's potential to influence investment decisions toward achieving productive and sustainable objectives if effectively targeted and incentivized. International non-commercial private finance (mostly remittances) makes up 19.29%, demonstrating the impact of external non-commercial entities mostly in sustaining household spending. However, this also raises concerns about long-term economic dependency. Smaller contributions come from international private finance (3.94%), and international public finance (mostly ODA, at 3.30%).

Table 2: Total envelope for 2023: 10,3 bn EUR

	Public finance	Private finance	
Domestic finance	Government finance: 5,135 bn EUR (together with public entities: 57,6 M EUR)	Domestic commercial finance: 3.96 bn EUR	
	<ul style="list-style-type: none"> • Social protection 29% (expenditures share: pensions 25%, soc. assistance 4% - GMA, disability, families, elderly, children and childcare unemployment, ALLM) • Economic affairs 28,2% (Other 64,3, Transport 17,9%, Agriculture 10,1%) • Health 12,4% (Health 93%, Services for patients 4,6%) • Public service 9,62% • Education 8,87% • Peace and order (5,11%), defence (4,11%), recreation and culture (1,25%), dwellings and community development (0,94%) and environment (0,65%). • Very limited funding for research and innovation 	<ul style="list-style-type: none"> • Physical capital investments • 0.3 M EUR on energy efficiency, renewable energy, and environmental protection - share still low at 4,5% • Limited investment by private sector in research and development 	
International finance	Development cooperation: 0.4 bn EUR	Inter. private: 0,49 bn EUR	Inter. non-comm. private
	<ul style="list-style-type: none"> • ODA (no EU): • Social Infrastructure and services, economic Infrastructure & services, production sectors, multisector • IPA and other EU: • Democracy and governance, rule of law, environment, and transport to enhance transparency, judicial reforms, and sustainable growth • Energy Support Package • Economic and Investment Plan (sustainable transport, clean energy, and climate and environmental protection) • Macro-Financial Assistance loan (reserves, foreign exchange interventions, direct budget support for crisis-related risks) • EU Growth Fund, EIB and WBIF (renewable energy, transmission lines, school facilities healthcare research and treatment, railway lines, solid waste services) • IFI financing (WB, EBRD, KfW) 	<ul style="list-style-type: none"> • Foreign direct investment: • Manufacturing sector (35% of total) • Financial and insurance sectors (21.7%) • Technology and renewable energy projects yet to pick up 	<ul style="list-style-type: none"> • Remittances • Mainly used for consumption as support for the family that remained in the country • Growing trend €0.32 Bn (national bank estimate €2.4b in 2022 18% GDP in real/unofficial terms)

⁹ Jurij Kobal, North Macedonia SDG Financing Analysis, 2024

Conclusion



North Macedonia's journey toward sustainable development and EU integration presents both significant opportunities and complex challenges. By leveraging its strategic strengths, addressing systemic barriers, and fostering multi-stakeholder collaboration, the country can accelerate its progress toward achieving the SDGs.

The National Development Strategy of North Macedonia 2024-2044 sets out the vision for sustainable development over the next 20 years. To achieve this, the country has identified six strategic areas for priority reforms, which are considered acceleration pathways for sustainable development. These priority reforms are closely aligned with the EU Reform package, as well as the six key transitions that have the potential to create catalytic and multiplier effects across the SDGs (please see the Table 3 below).

As such, they will serve as the foundation for the process of strategic prioritization in the new UN North Macedonia Cooperation Framework 2026-2030.

Table 3: Alignment of National Development Strategy with EU Reforms and Six SDG Transitions

NATIONAL DEVELOPMENT STRATEGY 2024-2044		EU REFORMS	SIX TRANSITIONS
Strategic Area	Goals		
Sustainable, Innovative & Competitive Economy	Economy based on Knowledge, Innovation and Rapid Digitalisation	Business environment Human capital	Jobs & social protection; Digital Connectivity; Education
	Highly Integrated Economy in International Trade and Finance	Fundamentals: good governance (PAR and PFM) and rule of law	
	Labor Force Meeting Current and Future Labor Market Needs	Energy/green and digital transition	
Demographic Revitalization & Social & Cultural Development	Society Based on Knowledge, Critical Thinking and Values		Education
	Balanced and Sustainable Demographic Movements	Governance	
	Healthy and Happy People	Green (Energy)	Food systems
	Recognizable Cultural Identity and Values		
	Inclusive and Efficient Social Protection and Social Security System	Governance	Jobs & social protection
Sustainable Local & Regional Development that Ensures Cohesion	Reduced Disparities between Regions	Governance	Jobs & social protection Education Food systems
	Capital Infrastructure in Function of a Better Life / People Benefit from a Greener and More Resilient Capital Infrastructure		Energy access & affordability; Climate change, biodiversity loss & pollution; Food systems
	Functional and Fiscally Sustainable Municipalities		
Rule of Law & Good Governance	Transparent, Accountable, and Efficient Public Sector	Governance	Education Digital connectivity
	Rule of Law and Consistent Application of the Principle of Separation of Powers and Effective Parliamentary Oversight	Rule of Law	
	Zero Corruption, Legal Certainty, and Impartial Justice		
	Effective Protection of Fundamental Human Freedoms and Rights, and Protection of Communities		
Secure, Safe & Resilient Society	Integral Security is the Key to Security and Foreign Policy Challenges	Fundamentals: good governance and rule of law	Digital connectivity
	Climate-Resilient Communities		
	A Society that is Resistant to Crises and Disasters		
Green Transformation	Climate-Neutral Society with a Low Percentage of Energy Poverty	Green (Energy)	Energy access & affordability; climate change, biodiversity loss & pollution; Food systems; Education
	Clean and Healthy Environment		
Cross-cutting		Digitalization	Digital connectivity

